REMARKS

Reconsideration and allowance are respectfully requested. By this Amendment, the specification has been amended; claims 1, 2, 14-18, and 25 have been amended, and claim 20 has been cancelled without prejudice or disclaimer. Claims 1, 14, 16, 18, and 25 are independent. Claims 1-19 and 21-25 are pending.

I. Personal Interview of August 17, 2004

Applicant thanks the Examiner for taking the time to meet with Applicant and Applicant's representative on August 17, 2004. At the interview, the claimed invention and prior art of record were discussed. Distinct differences between the prior art of record and the claimed invention were shown, and are presented in detail below. The Examiner indicated that a subsequent Office Action would be non-final. The Examiner also stated that the claims do not comply with 35 U.S.C. § 101, suggesting that the claims be amended to recite a "computer-implemented method."

The Examiner indicated that she would like to hold a telephonic interview with Applicant's representative before issuing a further Action in this case.

II. 35 U.S.C. § 101

Following the personal interview, Applicant reviewed Applicant's claims in view of applicable laws. Applicant respectfully submits that the claims as presented do indeed comply with 35 U.S.C. § 101, and need not be amended to recite a computer. It is well established that there is no "business method" exception to statutory subject matter. As the Federal Circuit held in *State Street Bank & Trust Co. v. Signature Financial Group Inc.*, 149 F.3d 1368 (Fed. Cir. 1998):

> We take this opportunity to lay this ill-conceived exception to rest. Since its inception, the "business method" exception has merely represented the application of some general, but no longer applicable legal principle, perhaps arising out of the "requirement for invention"--which was eliminated by § 103. Since the 1952 Patent Act, business methods have been, and should have been, subject to the same legal requirements for patentability as applied to any other process or method.

According to MPEP § 2106, "Office personnel have had difficulty in properly treating claims directed to methods of doing business. Claims should <u>not</u> be categorized as methods of doing business. Instead, such claims should be treated like any other process claims, pursuant to [the Examination Guidelines for Computer-Related Inventions] <u>when relevant</u>."

Applicant's invention need not be implemented with a computer, as supported by Applicant's specification and the claims as originally filed. Thus, the Examination Guidelines for Computer-Related Inventions are <u>not relevant</u> to Applicant's claims. Moreover, Applicant's claims do indeed comply with 35 U.S.C. § 101, for they constitute "new and useful process[es]." (See MPEP § 706.03(a)). For example, page 2, lines 19-21 of Applicant's specification disclose that "[i]t is an object of the present invention to provide a method of operating a venture capital investment business that provides a unique opportunity for investors to participate in IPOs."

Applicant also respectfully points out that numerous issued U.S. patents include claims drawn to financial processes that do not recite a computer or similar processing means. See, just for example, U.S. Patent Nos. 6,567,790 ("Establishing and managing grantor retained annuity trusts funded by nonqualified stock options"); 6,292,788 ("Methods and investment instruments for performing tax-deferred real estate exchanges"; Primary Examiner: <u>Vincent Millin</u>); 6,542,875 ("Charitable and public funding using tax credits and passive losses"; Primary Examiner: <u>Vincent Millin</u>); and 6,493,681 ("Method and system for visual analysis of investment strategies"; Primary Examiner: <u>Vincent Millin</u>). In particular, claims 1-24 of the '790 patent are directed to methods for minimizing transfer tax liability, with no recitation of a computer or similar processing means. Similarly, claims 1-31 of the '788 patent are directed to real estate investment-related methods, with no recitation of a computer or similar processing means. Applicant's claims are within the genre of the '790 and '788 patent claims, and the claims of the other patents recited above, and are clearly eligible for patent protection.

For at least the above reasons, Applicant submits that the pending claims could not be properly rejected under 35 U.S.C. § 101.

III. Claim Rejections – 35 U.S.C. § 112

The Examiner rejected claims 2, 3, 16, and 17 under 35 U.S.C. § 112, second paragraph. Applicant has deleted the numeral "26" from the relevant claims.

IV. Claim Rejections – 35 U.S.C. § 102

The Examiner rejected claims 1, 2, 7-12, 14-16, 18, 20, and 25 under 35 U.S.C. § 102(e) as being anticipated by Andrus (U.S. Patent Application Pub. No. 2002/0156709). Applicant traverses the rejection because Andrus does not teach or suggest every limitation of

the rejected claims. Because Applicant has cancelled claim 20, the rejection is moot with respect to that claim. Applicant has amended independent claims 1, 14, 16, 18, and 25 to clarify embodiments of the invention.

Although Applicant addresses Andrus on its merits herein, Applicant reserves the right to later submit evidence in order to swear behind Andrus as prior art.

A. Claims 1, 2, and 7-12

Independent claim 1 recites:

1. A method of operating a venture capital investment business, comprising:

establishing a business entity;

said business entity establishing an investment fund for venture capital;

establishing a fund managing entity of said investment fund, said fund managing entity attending to administrative matters relating to said investment fund and making investment decisions for the fund;

said investment fund having investors that provide capital contributions to said fund, said fund managing entity also providing capital contributions to said fund, said fund utilizing said contributions to invest in portfolio entities;

said investors receiving a general participation interest in said fund, and said fund managing entity receiving a carried interest in said fund;

<u>providing said investors that have provided at least a threshold capital contribution to said fund with stock rights in said business entity to enable such investors to become shareholders in said business entity;</u>

<u>said business entity securing a portion of IPO shares that become available in said portfolio entities</u>; and

<u>said business entity enabling shareholders thereof to purchase IPO shares among said portion of IPO shares secured by said business entity that become available in said portfolio entities</u>.

Applicant respectfully submits that Andrus does not teach or suggest at least the above underlined features of claim 1.

Andrus is directed to methods for debt financing of operating companies. Debt is raised instead of selling equity, so that venture capitalists (VCs) may reduce dilution of their

equity stakes in operating companies, increase their internal rates of return, and increase the cash return to their investors. (Para. 25.)

Andrus does not teach or suggest, among other things, the limitation "providing said investors that have provided at least a threshold capital contribution to said fund with stock rights in said business entity to enable such investors to become shareholders in said business entity." On page 3 of the Office Action, the Examiner referred to "p. 1, ¶ 8-11; p. 2, ¶ 23-25; and p. 9, ¶ 106" of Andrus in connection with that limitation. Applicant respectfully submits that none of these passages supports the Examiner's rejection. The passage on p. 1, ¶ 8-11 relates to multiple VCs investing in a particular portfolio company, not in an investment fund for venture capital, and merely teaches that existing VCs and a new VC negotiate the amount of equity in the portfolio company that the new VC will receive. The passage on p. 2, ¶ 23-25 discloses that (1) a bondholder 102 receives a note or bond from an operating company 100 for investing in the operating company 100; (2) an insurance company 114 can receive equity interest (e.g., QPC warrants 152) in operating company 100 based on a percentage of the amount of the note or bond; and (3) a bondholder 102 receives a note or bond from a debt investment company 110 for investing in Debt Investment Company 110. However, there is no teaching or suggestion of an investment fund for venture capital and a business entity that established the fund, wherein investors who contribute to the fund are provided with stock rights in the business entity as claimed by Applicant. Finally, the passage of Andrus on p. 9, ¶ 106 discloses that the debt investment company 110 may exchange warrants 152 for guarantee 122 and the equity of equity fund 120, and that debt investment company 110 may issue options to acquire the stock of equity fund 120. This passage does not support the Examiner's rejection. For instance, in Applicant's claims, the business entity establishes the investment fund that invests in portfolio entities. In Andrus, by contrast, equity fund 120 does not establish the debt investment company 110. Thus, the equity fund 120 and debt investment company 110 cannot respectively constitute the business entity and investment fund of Applicant's claims.

Moreover, Andrus does not teach or suggest that "said business entity secur[es] a portion of IPO shares that become available in said portfolio entities," or that "said business entity enabl[es] shareholders thereof to purchase IPO shares among said portion of IPO shares secured by said business entity that become available in said portfolio entities." Andrus's teachings with regard to IPOs are quite narrow. On page 3 of the Office Action, the Examiner included in parentheses (1) citations to various passages in Andrus that use the

term IPO and (2) conclusory statements regarding IPOs. In the table below, Applicant respectfully explains why the Examiner's reliance on those passages is misplaced, and why the Examiner's statements are not relevant to Applicant's claimed features.

Limitations of Claim 1 said business entity securing a portion of IPO shares that become available in said portfolio entities said business entity enabling shareholders thereof to purchase IPO shares among said portion of IPO shares secured by said business entity that become available in said portfolio entities	
Passage of Andrus Cited in Office Action / Statement of Examiner	**Applicant's Response**
p.1, ¶8-11	These paragraphs simply provide general background on VC financing and teach that an IPO is a means for a company to generate cash to pay the VC and its co-investors. In particular, ¶ 11 refers to the VC's "'exit,' the point at which the VC is repaid with a return, so that the VC can deliver investment returns to his co-investors." "[T]he VC … requests that the company commit to an IPO … or some form of liquidation …so that the VC in turn may be able to deliver a return or make a distribution to his co-investors." In this passage of Andrus, IPO shares are clearly being sold by the company to third parties, not to the VC or its shareholders as in the claimed invention. If IPO shares were being offered to the VC, as the Examiner asserts, then the VC would be further investing in the company at the VC's expense, not achieving an exit.
p.2, ¶23-25	These paragraphs merely disclose the specific debt financing structure of Andrus, with no mention of IPO shares.
p.5, ¶53-54	These paragraphs merely disclose that the Group Holding Company, not underlying portfolio companies, may itself conduct an IPO. There is no teaching or suggestion of Applicant's claimed features.
p.7, ¶77	This paragraph refers to an IPO as a liquidity event, so that bonds 160 are backed by

	insurance and proceeds of an IPO.
p.9, ¶106	This paragraph relates to a transfer of assets from a debt investment company to an equity fund.
"investors will want share of an IPO in return for their investing"	The Examiner's statement is irrelevant and inconsistent with the above passages of Andrus, which relate to proceeds (cash) delivered or distributed to investors based on an IPO, and not to investors purchasing IPO shares.
"it is well known that the IPO is commonly used as an exit strategy for venture capitalists"	Andrus teaches that an IPO is an exit strategy to create liquidity so that a venture capitalist can be paid. The Examiner's statement actually teaches away from the claimed invention, which focuses on opportunities for VC investors to buy IPO shares.

Thus, it is clear that Andrus's teachings with regard to IPOs are far afield from the claimed invention, as those teachings focus on an IPO as a means to create liquidity for a VC.

For at least the above reasons, claim 1 is patentable over Andrus, and the rejection under 35 U.S.C. § 102(e) should be withdrawn. Claims 2 and 7-12, which depend from claim 1, are patentable for at least the above reasons and for the additional features recited therein.

B. Claims 14 and 15

Independent claim 14 recites a method of operating a venture capital investment business, comprising, among other things:

> obtaining an agreement from said portfolio entities that a portion of IPO shares that became available as a result of an IPO therein will be made available to said business entity; and
>
> providing investors that have provided a threshold capital contribution amount to said fund with stock rights to purchase shares in said business entity, said investors thereby having an opportunity to purchase some of the IPO shares among said portion of IPO shares made available to said business entity at the IPO price if such stock rights are exercised.

Andrus does not teach or suggest at least these features, which are similar to features recited by claim 1. As discussed in detail above in connection with claim 1, Andrus merely teaches that an IPO allows a company to generate cash in order to pay a VC that has invested in the company. Further, Andrus does not teach or suggest that investors receive stock rights

in the business entity, as recited by Applicant. In fact, Andrus is devoid of any teaching or suggestion relevant to the above features of claim 14.

For at least the above reasons, claim 14 is patentable over Andrus, and the rejection under 35 U.S.C. § 102(e) should be withdrawn. Claim 15, which depends from claim 14, is patentable for at least the above reasons and for the additional features recited therein.

C. Claim 16

Independent claim 16 recites a method of operating a venture capital investment business, comprising, among other things:

> obtaining an agreement from said portfolio entities that a portion of IPO shares that became available as a result of an IPO therein will be made available to said business entity;
>
> ...
>
> said business entity securing a portion of IPO shares that become available in said portfolio entities; and
>
> said business entity enabling shareholders thereof to purchase IPO shares among said portion of IPO shares secured by said business entity that become available in said portfolio entities.

Andrus does <u>not</u> teach or suggest at least these features, which are similar to features recited by claim 1. As discussed in detail above in connection with claim 1, Andrus merely teaches that an IPO allows a company to generate cash in order to pay a VC that has invested in the company. In fact, Andrus is devoid of any teaching or suggestion relevant to the above features of claim 16.

For at least the above reasons, claim 16 is patentable over Andrus, and the rejection under 35 U.S.C. § 102(e) should be withdrawn.

D. Claims 18 and 25

Independent claim 18 recites:

> 18. A method of distributing stock rights, said method comprising:

receiving capital contribution information relating to an amount of capital contributed by an investor to a venture capital fund, the fund having investments in portfolio entities;

comparing the capital contribution information to a threshold value; and

consequent to said comparing, assigning to the investor stock rights in a business entity that has secured access to IPO shares that become available in the portfolio entities,

wherein when stock rights in the business entity are exercised by said investors, those investors have a right to purchase a specified portion of the IPO shares to which access has been secured by the business entity.

Applicant respectfully submits that Andrus does not teach or suggest at least the above underlined features of claim 18, which are similar to features recited by claim 1. As discussed in detail above in connection with claim 1, Andrus merely teaches that an IPO allows a company to generate cash in order to pay a VC that has invested in the company. Further, Andrus does not teach or suggest that investors receive stock rights in the business entity, as recited by Applicant. In fact, Andrus is devoid of any teaching or suggestion relevant to the above features of claim 18.

For at least the above reasons, claim 18 is patentable over Andrus, and the rejection under 35 U.S.C. § 102(e) should be withdrawn.

Claim 20 is a Beauregard claim corresponding to claim 18 and is patentable for at least the reasons supporting patentability of claim 18.

V. Claim Rejections – 35 U.S.C. § 103

The Examiner rejected (1) claims 3-6, 13, 17, 21, 23, and 24 under 35 U.S.C. § 103(a) as being unpatentable over Andrus in view of Barkley (Rupri Equity Financing Task Force); (2) claim 19 under 35 U.S.C. § 103(a) as being unpatentable over Andrus in view of Libman (U.S. Patent No. 6,076,072); and (3) claim 22 under 35 U.S.C. § 103(a) as being unpatentable over Andrus, Barkley, and Libman. Applicant traverses the rejections because the references, taken individually or in combination, do not teach or suggest the combinations set forth by the rejected claims.

Claims 3-6 and 13 depend from independent claim 1. Claim 17 depends from independent claim 14. Claims 19 and 21-24 depend from independent claim 18. As

described above, Andrus does not teach or suggest various features of claims 1, 14, and 18 identified above.

Moreover, neither Barkley nor Libman remedies the above-described deficiencies of Andrus. Barkley discloses principal sources of equity capital for rural businesses. (See, e.g., pages 1 & 2.) Libman discloses a method and apparatus for preparing client communications involving financial products and services. (See, e.g., cols. 3 & 4.)

For at least the above reasons and for the additional features recited therein, claims 3-6, 13, 17, 19, 21-23, and 24 are patentable over the cited references, and the rejections under 35 U.S.C. § 103(a) should be withdrawn.

Because of their dependence on patentable independent claims, Applicant has not specifically focused herein on the limitations added by claims 3-6, 13, 17, 19, 21-23, and 24. However, Applicant respectfully points out that the Examiner's argumentation as to those limitations is substantially unsupported by the cited references, based on impermissible hindsight, and insufficient to support a prima facie case of obviousness. See MPEP§ 2142. For example, on pages 6 and 7 of the Office Action, the Examiner conceded that Andrus fails to disclose nearly all the limitations of claims 3-6, 13, 17, 21, and 23-24. The Examiner then stated that "Barkley teaches information to entrepreneurs pertaining to venture capital including that deals may be constructed in various manners (p.11-all)." On the basis of this general statement, the Examiner then made numerous conclusory statements, many of them preceded by the words "It is inherent that…." In so doing, the Examiner provided no citations to specific teachings in Barkley or the other cited references. Yet, the Examiner summarily concluded that "It would have been obvious to one having ordinary skill in the art at the time the invention was made to incorporate the [limitations of Applicant's dependent claims], as inherently taught by Barkley into the method disclosed by Andrus, to ensure that investors receive a maximum return on their investment." Applicant respectfully requests that, in the next Official Action, the Examiner provide specific citations to the teachings of Barkley relied upon to reject Applicant's dependent claims.

VI. Conclusion

All rejections and objections have been addressed. It is respectfully submitted that the present application is now in condition for allowance, and a notice to that effect is earnestly solicited. Should there be any questions or concerns regarding this application, the Examiner is invited to contact the undersigned at the below-listed telephone number.

Respectfully submitted,

PILLSBURY WINTHROP LLP

JACK S. BARUFKA
Reg. No. 37087
Tel. No. (703) 905-2012
Fax No. (703)-905-2500

Date: August 18, 2004

P.O. Box 10500
McLean, VA 22102
(703) 905-2000